

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1857 - SB 1862**

February 1, 2020

**SUMMARY OF BILL:** Expands the entities to which a county may dispose of real property at a nominal cost by private negotiation and sale, upon approval of the legislative body.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue –**

**Exceeds \$1,000/FY20-21 and Subsequent Years/Permissive**

**Decrease Local Expenditures –**

**Exceeds \$500/FY20-21 and Subsequent Years/Permissive**

**Assumptions:**

- Pursuant to Tenn. Code Ann. § 5-7-119, counties may dispose of real property at a nominal cost by private negotiation and sale to a nonprofit corporation who:
  - Has received a determination of exemption pursuant to 26 U.S.C. 501(c)(3); and
  - Provides educational and vocational training services to children and adults with disabilities.
- The proposed language expands the entities to which a county may dispose of real property at a nominal cost to include 26 U.S.C. 501(c)(3) entities who provide educational services to youth in areas, including health, science, agriculture, and civic engagement through in-school and after-school programs, and school and community clubs and camps.
- Pursuant to Tenn. Code Ann. § 67-5-201 through § 67-5-227:
  - All property of any county that is used for county purposes is exempt from property taxation; and
  - Entities with classification as a 26 U.S.C. 501(c)(3) are not automatically exempt from property taxation. Such entities must meet certain ownership and use requirements, and apply with the State Board of Equalization.
- For purposes of this analysis, it is assumed:
  - Any entity eligible to purchase county property under the provisions of this legislation will subsequently apply and be awarded exemption from property taxation. Therefore any increase in local property tax revenue is estimated to be not significant; and
  - Property which is sold to such entities could have been sold to third parties at a cost which is higher than nominal.

- There are several statutes which govern the public sale of county property including, Tenn. Code Ann. § 5-1-128, § 5-14-108(o), § 5-21-118(b)(4), with such laws requiring notice, competitive bids, or public auctions.
- The proposed language authorizes counties to dispose of such property by private negotiation and sale; therefore requirements concerning notice, public auctions and sales, and competitive bidding would not apply to such sales.
- At least one property will be sold at nominal cost to such entities annually, statewide.
- While a precise decrease in local revenue will depend on the current value of such property, it is reasonably estimated authorizing the sale of such property at a nominal cost will result in a recurring, permissive decrease in local revenue estimated to exceed \$1,000 beginning in FY20-21.
- While a precise decrease in local expenditures will depend on the number and type of notice, bidding, and sale which otherwise would have been required, it is reasonably estimated the removal of such requirement will result in a recurring, permissive decrease in local expenditures estimated to exceed \$500 beginning in FY20-21.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jrh